

Doing Business in Algeria: A Country Commercial Guide for U.S. Companies

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Chapter 1: Doing Business in Algeria

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- Market Challenges
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- Market Entry Strategy

Market Overview

U.S. exporters can find substantial sales opportunities in Algeria if they have patience and effective Algerian agents or distributors to translate opportunities into sales. Given the time and resources necessary to successfully develop Algeria as a viable export market, Algeria generally speaking is not an ideal market for small to medium-sized enterprises.

Regarding investment in Algeria, while U.S. companies dominate Algeria's oil and gas sector, and Algerian government officials have actively sought to encourage non-hydrocarbon U.S. investment, recent Algerian Government measures have made the country's investment climate more restrictive. As a result, and because of surprise regulations, heavy bureaucracy, and comparatively few incentives, there have been a relatively limited number of U.S. investments in Algeria outside of the hydrocarbon sector.

Generally speaking, the United States enjoys a positive image in the Algerian market, and U.S. goods and services are respected for high quality and after-sales service. The country's agricultural production is far below demand, and Algeria continues to import large volumes of bulk agricultural products and packaged foodstuffs. European countries

such as France, Italy, and Spain are traditional suppliers to Algeria in a wide range of sectors, and Chinese and Turkish firms are enjoying a growing presence.

The privatization process has all but stopped due to both a general lack of interest among foreign investors and a lack of confidence among government leaders in past privatization and foreign-investment efforts. Bank privatization is on hold indefinitely due to world financial shocks. Slow economic reforms and an antiquated banking system have left non-hydrocarbon sectors mostly underdeveloped. Algeria has not joined the WTO.

Algeria's political situation has stabilized, and its security situation has significantly improved in comparison to the 1990's, though U.S. businesspeople must take precautions when traveling to and within Algeria. Business travelers and companies should continue to exercise vigilance and consult the Embassy and the Department of State's travel advisories for updated information, located at http://travel.state.gov/travel/warnings_consular.html

Market Challenges

Starting a business in Algeria remains a lengthy, bureaucratic, and often difficult process. A restrictive investment policy implemented in 2009 requires an Algerian majority stake in any investment. The Algerian tax law was also modified in August 2008 to require foreign investors to re-invest within four years the value of any investment tax incentives received or face a 30-percent penalty.

The overall attractiveness of the Algerian investment environment is stunted by the perception that laws and measures are imposed suddenly and without consultation with the business community. This contributes to a sense of unpredictability about doing business – specifically investing – in Algeria and underscores the importance of appointing solid Algerian partners who can alert U.S. firms in advance of such rules.

Government freezing of consumer credit implemented in 2009 has restricted purchases of imported automobiles and large home appliances. The Algerian Government has implemented a ban on over 400 imported medicines in a measure to stimulate domestic production. Importation of used construction equipment has also been banned.

Legislation that would make franchising possible in Algeria remains pending. It is currently impossible for franchisees to pay royalties and, as a result, foreign franchises are extremely limited in Algeria.

It is estimated that over 50 percent of Algeria's economy is informal. Counterfeit goods remain a problem, but government seizures are effective.

Algeria's licensing of generic pharmaceuticals and lack of clear coordination between the Ministry of Health and the Patent and Trademark Office exacerbates the uncertain landscape for the registration and sale of brand-name products.

Human resources can be difficult to recruit, manage, and retain in Algeria, both at the skilled and unskilled levels, even as unemployment remains high. Most Algerians speak French and Arabic and lack English-language skills.

Companies routinely face delays of weeks and months in clearing goods from Algerian customs.

Market Opportunities

Despite the above-mentioned obstacles, Algeria's significant consumer base of 36 million people and its hydrocarbon wealth offer U.S. exporters significant sales opportunities in consumer goods, high technology, and construction services. Specifically, the most promising sectors for U.S. business and investment include:

- oil & gas – hydrocarbons
- infrastructure, civil engineering, and construction
- telecommunications and information technology
- healthcare construction, medical equipment, and disposals
- power generation
- water technologies
- agricultural and food products

Market Entry Strategy

Given the degree of bureaucracy, the language barrier, and the overall difficulty in meeting Algerian Government officials, it is essential for U.S. exporters to form partnerships with qualified Algerian agents and distributors who maintain solid government contacts and possess industry expertise.

The Commercial Section at the U.S. Embassy in Algiers provides matching services for U.S. exporters wishing to identify Algerian partners and can provide industry-specific guidance to firms interested in the market. Since English is not widely spoken, the Commercial Service can refer U.S. exporters to local translators. U.S. firms are encouraged to consult with local attorneys or consultants on technical and legal matters, and, again, the Commercial Section can refer U.S. firms to local experts.

Quick sales are not common in this market, and significant time must be invested to convince Algerian decision makers about various solutions, particularly if they involve new technologies or concepts. U.S. firms, therefore, should consider Algeria with a long-term perspective. Indeed, the Algerian Government favors foreign companies that contribute to the country's long-term development both in terms of Algerian employment and technology transfer. U.S. firms serious about the Algerian market should strongly consider establishing a local office.

U.S. firms sometimes consider hiring French nationals, or affiliate firms, to represent them in Algeria in order to overcome the French language barrier. As a result of tempestuous Algerian-French relations embittered by over 130 years of harsh colonial rule, Algerian firms—and especially government entities— often prefer more direct interaction with US firms. Generally speaking it is advantageous to a U.S. firm’s image and prospects for success in Algeria to hire Algerian partners on the ground.

Chapter 2: Political and Economic Environment

For information on the political and economic environment of the country, please see the Department of State Background Notes: <http://www.state.gov/r/pa/ei/bgn/>

Chapter 3: Selling U.S. Products and Services

- Using an Agent or Distributor
- Establishing an Office
- Franchising
- Direct Marketing
- Joint Ventures/Licensing
- Selling to the Government
- Distribution and Sales Channels
- Selling Factors/Techniques
- Electronic Commerce
- Trade Promotion and Advertising
- Pricing
- Sales Service/Customer Support
- Protecting Your Intellectual Property
- Due Diligence
- Local Professional Services
- Web Resources

Using an Agent or Distributor

Foreign manufacturers and exporters are represented in the market either through their own branch offices or through authorized agents and distributors. Many foreign firms use Algerian agents, consultants, or contracted representatives as a means to test, enter or maintain a basic presence in the market. Agents may provide a full range of services for companies selling products but are not allowed to enter into negotiations directly on some government contracts (see below).

The Commercial Section (CS) at the U.S. Embassy in Algiers offers several services to help identify agents, distributors, or potential partners. The Gold Key Service provides U.S. businesses with one to two days of one-on-one meetings in Algeria with prequalified potential partners, agents, or distributors. U.S. Embassy Commercial Specialists can translate at these meetings if necessary. The International Company Profile provides

U.S. firms with a broad background check on potential Algerian partner companies. For further information about these and other services, please visit www.buyusa.gov/algeria. For the address and phone number of the nearest Department of Commerce domestic office, call 1-800-U.S.A-TRADE (1-800-872-8723) or visit www.export.gov.

Local agents and distributors are commonly used to assist U.S. firms with documentation in French and with local laws and practices. U.S. firms often use regional distribution centers in Europe or the Middle East, but Algerian purchasers of foreign-made equipment increasingly want to buy directly from the United States.

Establishing an Office

It is strongly advisable for U.S. companies to hire well-established local legal representation and other consultative services to assist in establishing a presence in Algeria. Confusion and red tape, particularly related to registration and visas, can be considerable, and well-placed contacts are important to obtain advanced notice on upcoming opportunities. It is essential that U.S. firms should also consider security arrangements as an integral element of opening an office in Algeria. The Commercial Section can provide U.S. companies with contacts for security firms operating in Algeria.

There are three basic organization types for establishing a presence in Algeria; the liaison office, the branch, and the permanent establishment. U.S. exporters may wish to read the 'Guide to Investing in Algeria' by visiting the following website to understand the details: <http://www.algeria.kpmg.com/fr/>

The repeal of a state monopoly on trade has made the **liaison office**, once the only viable form of presence for foreign firms in Algeria, far less attractive because of extensive limitations placed on the functions and income such organizations are permitted by law.

A **branch office** may be opened to allow the parent company to conduct commercial activity in Algeria. The branch is considered a resident Algerian entity without full legal authority. Drawbacks to this form include foreign exchange controls and the inability for the branch to sign contracts with the parent company.

The **permanent establishment** is a tax entity allowing for a full but temporary presence associated with a particular contract to be performed in Algeria. This form is more nimble and allows for substantial repatriation of revenues. However, due to the temporary nature of this business form, a number of tax benefits are not available.

A business entity can also be incorporated as a joint stock company (JSC), a limited liability company (LLC), a private limited company under sole ownership (PLCSO), a limited partnership (LP), a limited partnership with shares (LPS), or an undeclared partnership. Groups and consortia are also used by foreign companies when partnering with other foreign companies or with local firms.

Franchising

Franchising by foreign companies is extremely limited in Algeria, largely because of strict foreign exchange controls that generally do not allow the repatriation of royalties. The Algerian Government has been considering a franchise law to make franchising possible in Algeria, though no timeframe has been set for its implementation.

Several European companies operate what appear to be franchise stores in the fast food and retail sectors, and international hotel names are licensed in Algeria. European companies manage their franchises in Algeria through the invoicing of goods imported by the franchisee, rather than through the payment of royalties or other franchise fees. There is currently only one U.S. franchise (education & training services) operating in Algeria.

Direct Marketing

Direct marketing in Algeria, such as sales through catalogs, television programs, or flyers, is still in its infancy. Credit cards are almost never used in Algeria, although there is a small debit card and ATM system. Even in urban areas, a lack of clarity regarding addresses and street names, as well as postal regulations and the inability to make purchases on the Internet, leave this sector significantly underdeveloped.

Joint Ventures/Licensing

Algerian companies are increasingly interested in joint venture opportunities with U.S. partners as a way to modernize their factories or license technology. U.S. firms interested in joint-venturing in Algeria, however, must be aware of the new 51- percent Algerian ownership requirement on all foreign investment in Algeria. (See Chapter 6 on Investment Climate for details.) Many internationally branded products and services are manufactured, bottled, assembled, or provided in Algeria.

Selling to the Government

Algerian Government institutions, including ministries, agencies, and local governments, buy foreign-made goods and services by way of competitive or restricted tenders. For most security-related tenders, foreign bidders must deal directly with the client agency without the use of local agents, but tender requests and documents may be obtained through local representatives or by contacting Mr. Billal Zidi at Algerian Tenders at billal.zidi@algeriantenders.com; tel: +213-21-28-41-13 or 18; fax: +213-21-28-41-15. Although the law on public tender does not require the state-owned companies to purchase goods and services through tenders, many do.

Algeria has taken steps to improve the transparency of its contracting process. Most government contracts are awarded through a two-step tender process: technical bids are first reviewed to ensure compliance with tender requirements and to evaluate competing specifications, and then financial bids are reviewed. Competitors are sometimes short-listed after the technical offers are opened, and sometimes companies are pre-qualified

for large tenders, particularly in oil and gas development. Lowest bids are not always accepted, as government agencies place heavy emphasis on technology and know-how transfer, local investment, and the diversification of suppliers.

Military and security-related contracts are usually tendered on a restricted basis, whereby the agency will ask a number of specific companies to bid on a request for proposal. U.S. firms that would like to send information about their goods and services to the Algerian military should send a letter to the following address:

Ministère de la Défense Nationale
DREC (Direction des Relations Extérieures)
Les Tagarins, El-Biar, Alger
A Monsieur le Directeur

And follow the instructions below:

- 1) Request to meet with the department in charge of your specific sector.
- 2) Make sure NOT to mention any specific names of Algerian military officials.
- 3) Make sure the letter is written in French.

U.S. companies should carefully adhere to all specific Algerian tender guidelines. Although Algeria is a member of the Arab League, there is no known instance in which U.S. firms have been disadvantaged by Algeria's acquiescence in the League's anti-Israel boycott.

Distribution and Sales Channels

Algeria has a fairly well-developed distribution system with mostly wholesale and retail outlets. State-owned marketing firms mainly sell wholesale imported foodstuffs, pharmaceuticals, and industrial supplies and equipment. Private wholesalers are increasingly active in these sectors as well. Private businesses almost exclusively control the retail trade.

Algeria's current road network extends 100,000 kilometers, 26,000 km of which comprise secondary roads and highways and 23,000 km of which comprise provincial roads. A major east-west highway is still under construction, and long-range plans involve a second, parallel highway, with around two dozen north-south connector highways feeding the system from Algeria's port cities. Nonetheless, mountainous terrain, congestion, traffic accidents, and security checkpoints hamper road transportation.

Algeria has 36 airports open for civil air traffic: 16 international and 20 domestic. The national carrier, Air Algérie, serves 37 destinations in Europe, Africa, and the Middle East. A number of international airlines serve Algeria from major hubs, but there are no direct flights between Algeria and the U.S., though a direct Algiers – New York City

flight is under consideration. Three international express mail delivery services operate in Algeria: UPS, DHL, and FedEx.

Algeria has 13 multipurpose ports and 2 hydrocarbons terminals. The railway network covers mainly northern Algeria. It includes 4,200 kilometers of tracks, 3,060 of which are standard gauge and 1,140 narrow gauge.

Selling Factors/Techniques

The Algerian market is generally characterized as price-sensitive. European and Asian brands have gained considerable market share, but quality U.S. products are valued by discerning consumers with higher incomes. Demand for U.S. goods by wholesalers and retailers has increased due to the depreciation of the dollar relative to the euro.

Promotional sales material and technical documentation should be in French and/or Arabic. Algerian managers, both private and parastatal, are very keen on technology and know-how transfer. Religious and cultural sensitivity should be considered when approaching the Algerian market. Because Algeria is a Muslim country, pork products are prohibited. Alcohol and other Western products are available, but sales are restricted during periods of religious observation.

Electronic Commerce

Under current law, Algerian citizens may not purchase items online from abroad. Businesses, however, may purchase items online from abroad for internal use. American businesspeople interested in Algeria should note that the use of private credit cards is extremely limited in Algeria.

Trade Promotion and Advertising

The largest trade event during the year is the Algiers International Trade Fair, encompassing all sectors in a single, high profile, multinational event. This fair will take place June 2-7, 2010. Exhibitors are located in national pavilions. For booth and sponsorship opportunities, please contact the U.S. Algeria Business Council at (703) 418-4150.

Regional and sector-specific trade events are also increasing in Algeria's largest cities. Firms are encouraged to contact the Commercial Section in Algeria to obtain information about trade events, as well as the U.S. Algerian Business Council at www.us-algeria.org, the American Chamber of Commerce in Algeria at www.amcham-algeria.org, and the World Trade Center Association Algeria at www.wtcalgeria.com.

Newspaper, television, and radio advertising are increasingly effective at the consumer level and for business-to-business marketing.

Pricing

Pricing has traditionally been the single most important consideration in government tenders, although technical offers are being more carefully scrutinized and ministries are trying to tie technology transfers to tender bids. While Algerian consumers look for quality, the market remains generally very price sensitive. Tariffs are generally not excessive, but European exporters benefit from Algeria's participation in the EU Association, which exempts their products from duties. American products are competitive when quality and leading technology are major considerations.

Sales Service/Customer Support

Suppliers of capital goods to the Algerian market are required to provide after sales service and customer support. Free sales service is usually required for a period of one year. It should be noted that U.S. firms are respected in Algeria for their generally higher quality of after sales services. Suppliers may enter into agreements thereafter to provide customers remunerated sales service, which is referred to as "technical assistance" in Algeria.

Foreign suppliers provide customer support via liaison offices in Algeria. These offices are prohibited from engaging in commercial activities and thus cannot import or distribute equipment and spare parts. These items must be imported by the Algerian end-users either directly or through distributors.

Sales service for consumer goods is a relatively new development in Algeria. It is compulsory for distributors of foreign products to provide a six- to eighteen-month warranty, depending on the type of goods, to stock parts in Algeria or provide after-sales service to customers.

Protecting Your Intellectual Property

While the legal framework for intellectual property rights has improved, it remains weak, and the enforcement of these rules is still generally inadequate. Counterfeiting is common, especially in cosmetics, clothing and shoes, electric appliances, automotive aftermarket products, computer hardware components and software, some consumer and food products (such as shampoo and baby formula), and medicine.

American firms do find recourse against counterfeit goods through the courts, but this requires diligence on the part of the claimant, experienced local legal representation, and clear documentation in order to have counterfeits seized and destroyed.

On January 1, 2009, a new law took effect that bans all imported pharmaceutical drugs and medical devices for which equivalents are produced in Algeria. For a list of these banned products, please contact Commerce Department Algeria Desk Officer Nathaniel Mason at (202) 482-3752; Nathaniel.mason@mail.doc.gov. This import ban is a market access barrier for those firms relying on intellectual property protection because the ban

specifically targets non-generics. The pharmaceutical ban led the U.S. Trade Representative to place Algeria on its 2009 priority watch list.

Due Diligence

It is important to conduct due diligence research regarding any potential agent or partner. The Commercial Section at the U.S. Embassy in Algiers can provide due diligence through the International Company Profile service. Please visit http://www.buyusa.gov/algeria/en/international_company_profile.html for additional information.

Local Professional Services

A lawyer with experience in Algeria should be retained as soon as you decide to establish an Algerian business entity. The U.S. Embassy in Algiers maintains a list of local lawyers practicing in Algeria: http://algiers.usembassy.gov/list_of_local_attorneys.html

Algeria has two major categories of legal practitioners:

An *avocat* is a lawyer who may render legal advice on all matters, draft agreements and contracts, handle commercial disputes and collection cases, and plead and defend civil and criminal cases before the Algerian courts to which they are admitted.

An Algerian *notaire* is a public official appointed by the Ministry of Justice. A *notaire* is not the equivalent of a public notary in the United States. A *notaire*'s functions include the preparation and recording of notarial acts (e.g., wills, deeds, acts of incorporation, marriage, contracts), the administration and settlements of estates (excluding litigation in court), and serving as the repository of wills. They are not lawyers, but very specialized members of the legal profession. They may not litigate in courts.

Web Resources

- U.S. Commercial Service in Algeria: www.buyusa.gov/algeria
- U.S. Embassy: www.algiers.usembassy.gov
- American Chamber of Commerce: www.amcham-algeria.org
- U.S. Algeria Business Council: www.us-algeria.org
- Algerian Chamber of Commerce and Industry: www.caci.com.dz
- World Trade Center Algeria: www.wtcalgeria.com
- Intellectual Property Rights: www.inapi.org

Chapter 4: Leading Sectors for U.S. Export and Investment

Best Prospects and Commercial Sectors

- Oil and Gas - Hydrocarbons
- Information and Communications Technology
- Public Works and Infrastructure Development
- Healthcare
- Agricultural Sector

Oil and Gas – Hydrocarbons

Overview:

- Algeria is one of the world's top ten producers of both oil and natural gas.
- Existing upstream and midstream infrastructure is aging and inadequate to meet Algeria's near-term production goals. We expect new investment in these areas, particularly as two new undersea gas pipelines to Europe are constructed.
- By law, the national oil company, Sonatrach, must hold a 51-percent shareholder position in all oil and gas projects. Tenders for investments and for project contracts may be offered competitively or by invitation.
- Liquefied natural gas (LNG) is a vitally important export for Algeria, with new facilities under construction. Algeria is hosting the LNG Conference April 18-21, 2010, in Oran. Contact Kamel Achab at kamal.achab@mail.doc.gov for more information. SONATRACH intends to increase its exports of natural gas to 100 billion cubic meters by 2015, up 60 percent from current levels.
- Downstream opportunities remain limited, due largely to consumer-level fuel price caps, but changes to the law in 2008 broke the state monopoly on the delivery of refined products.

Best Products/Services

- Seismic and other exploration and development services
- Drilling equipment
- Facility construction equipment and services
- Temporary structures

Opportunities

- While the most recent bid round was not as successful as intended, previous exploration projects will reach development stage in the coming 24 months that should generate new and potentially large opportunities in oil and gas services.
- The Algerian Gas and Electricity Regulatory Commission announced recently that Algeria will increase its investments in power generation by around 7,000 megawatts to meet local demand by 2017. To meet this need, Algeria's state-owned energy company, Sonelgaz, will invest nearly \$30 billion to expand and upgrade power generation and distribution capacity. Of the total investment, \$5 billion will be allocated to generation, \$8 billion to transmission, \$3 billion to gas shipping, and more than \$6 billion to distribution.
- Sonatrach approved a \$63-billion 2009-2013 investment plan. The lion's share is aimed at developing the Algerian petrochemical industry. The other major areas of investment include upstream exploration and development, hydrocarbons transportation facilities programs, and hygiene, safety, and environment protection.

Resources

- Ministry of Energy website: www.mem-algeria.org
- Sonatrach website: www.sonatrach-dz.com
- Commercial Specialist Kamal Achab: +213-770-082093; kamal.achab@mail.doc.gov
- <http://www.sonelgaz.dz/>

Information & Communications Technology

Overview:

- Algerians are increasingly tech-savvy and interested in technology and know-how transfer in the ICT sector. Government ministries are interested in modernization and digitization of record-keeping.
- Home Internet penetration rates remain below 10 percent, but business Internet usage is estimated at over 40 percent.
- Mobile phones (GSM) are commonplace, and Algeria is looking toward fourth-generation technology.
- Other services, such as GPS-based technology, also show potential.

Best Products/Services

- Mobile phones and accessories
- Mobile phone add-on services
- Business-to-business information management and strategies
- Internet connectivity and backbone equipment and services
- GPS-related technology and services
- Wimax, WIFI, e-government, e-business, 3G

Opportunities

- Several key government ministries have started the process of modernizing and digitizing their records, including the tax authority. These are large undertakings, requiring various consultative and solutions-based services.
- Government agencies are also providing increasing amounts of information on the Web and need Web-based information management services.
- Business-to-business opportunities for ICT strategies and solutions will increase.
- WiFi, though still in its infancy in Algeria, is a highly-desired technology particularly among potential government and business end-users.
- The e-Algeria 2013 Strategy is a GOA program that aims to provide e-government and e-business solutions and nearly 300 on-line services for Internet users in Algeria.
- In 2009, Algérie Telecom, Algeria's state-owned phone company, announced a major 5-year \$6 billion infrastructure development plan.

Resources

- ARPT: www.arpt.dz
- Algérie Telecom: www.Algérietelecom.dz
- Touiza (ISP association) contact info: Phone:+213-21-542-873 Fax:+213-21-542-872
- Commercial Specialist Faiza Gamoura: +213-770-082274;
faiza.gamoura@mail.doc.gov

Public Works and Infrastructure Development

Overview:

- The government has simultaneously focused on roadways, rail systems, airport upgrades, public housing, hospital construction, water treatment, transportation, and electrification.
- U.S. firms have not capitalized on these opportunities, in part due to an emphasis on low pricing by the Algerian Government and due to the opaque and slow bureaucracy. However, the Algerian Government has recently sought U.S. Embassy assistance in attracting more U.S. firms to the market.
- In some sectors, the government has signaled a renewed interest in quality, and U.S. firms are finding access to subcontracts offered through targeted bidding tenders.

Best Products/Services

- Construction machinery and equipment
- Civil engineering services
- Portable power generation systems for construction sites
- Localized power generation systems for isolated communities
- Water treatment and transportation products and equipment

Opportunities

- Water treatment and reclamation, remote sensing and safety systems for Algerian dams, and hydroelectric projects.
- Electric power generation projects, renewable energy projects including wind and solar, and modernizing/expansion of mining operations in Algeria.
- Development of asphalt bitumen, given the GOA's concern about dwindling bitumen in country, and civil engineering techniques & technology to realize Algeria's road construction in arid and desert climates. The latter is particularly sought after for the upcoming high plateau East-West Highway project, which includes 23 connector roads linking it to the coastal East-West Highway.
- Civil aviation air traffic management and training, port improvement, and communications solutions offer good opportunities for U.S. firms. The construction of a new container terminal for Djendjen also represents an interesting opportunity. The Transportation Ministry says it has a \$66-billion budget for projects for '05 - '13.

Resources

- Ministry of Public Works: www.mtp-dz.com
- Ministry of Finance: www.finances-algeria.org
- Ministry of Mines and Energy: www.mem-algeria.org
- Sonatrach: www.sonatrach-dz.com
- Commercial Specialist Kamal Achab: +213-770-082093;
kamal.achab@mail.doc.gov

Healthcare

Overview:

- The healthcare sector continues to be a relatively attractive market. The demand for medical equipment and disposals is considerable and depends largely on imported goods.
- The living standard of the population is improving, albeit slowly. There has been an increased incidence in reporting of hypertension, diabetes, respiratory and cardiovascular diseases, and allergies.
- Algerians are increasingly conscious of cutting-edge medical services, such as laser corrective eye surgeries, panoramic dental radiology, and plastic surgery.
- U.S. technology and products are often perceived as high quality, and the strong euro makes U.S. products price-competitive.

Best Products/Services

- Medical equipment and supplies, including diagnostics and imagery equipment
- Hospital and outpatient clinic design and construction services
- Hospital and medical office administration software and solutions
- Low-intensity cosmetic surgery

Opportunities

- Construction of 200 new public hospitals and private clinics throughout Algeria over the next decade will increase demand for medical equipment and supplies, as well as medical construction services.
- Algerians increasingly turn to private clinics for outpatient care. Opportunities will increase for the design and management of such facilities as well as cutting-edge diagnostics and treatment equipment.

- Cosmetic surgery is not yet common, but consumer interest could boom.

Resources

- Healthcare sector links: www.and.s.dz
- Comm. Specialist Faiza Gamoura: +213-770-08-2274;
faiza.gamoura@mail.doc.gov

Agricultural Sector

Overview:

- Algeria's new agricultural development strategy places special emphasis on improving food productions and quality in order to reduce the import bill.
- Arable land represents about 8 million hectares, of which 51 percent is dedicated to field crops, mostly cereals and pulses, 6 percent to arboriculture, and 3 percent to industrial crops. Only 7 percent of this arable land is irrigated, and Algeria's agriculture remains rainfall dependent, thus leaving the country still reliant on imports to fulfill demand for some food needs.
- About 70 percent of agricultural farms are of small sizes, i.e., less than 10 hectares, and 80 percent of these farms are individual farms.
- Algeria's main agricultural export products are dates, grapes and wine, olives and olive oil, and vegetables.
- The European Union is Algeria's major agricultural trading partner, with 39 percent of agricultural and food imports coming from EU countries. As a result of its geographic proximity to Europe and the lack of direct shipping lines between the U.S. and North Africa, U.S. exporters face stiff competition from EU suppliers. The transshipment of U.S. exports through Europe significantly increases shipping costs to Algeria from the U.S.
- Algeria, nevertheless, remains a market with good potential for U.S. suppliers. According to U.S. (FOB) trade data, U.S. agricultural and food exports in 2008 were estimated at \$366 million and at \$159 million from January to November 2009. Most of the U.S. agricultural and food exports to Algeria are bulk commodities, including wheat, corn, vegetable oils, soybean meal, and dairy products.

US EXPORTS	2006	2007	2008	2009 Jan-Nov
Wheat	42,810	188,994	106,289	27,590
Soybean Oil	7,540	58,452	80,678	47,062
Corn and Coarse Grain	134,783	207,612	69,872	16,165
Dairy Products	27,589	39,580	69,078	25,536
Soybean Meal	4,093	9,483	18,593	0
Rice	0	67	2,143	1,462
Pulses	692	984	1,214	589
Planting Seed	3,440	2,560	3,190	2,087
All Others	9,314	12,368	14,965	38,619
TOTAL	230,261	520,100	366,022	159,110

Source: U.S. Census Bureau, Foreign Trade Statistics

Best prospects

- Grain and feed (wheat, barley, corn)
- Vegetable oil and oilseeds products /cotton
- Dried fruits, pulses and specialty products
- Dairy products, genetics, dairy livestock, and integrated complexes industry
- Packaging and equipment for food processing industry
- Turkey poults
- Frozen meat and fish

Opportunities

- Algeria remains a potential market for U.S. suppliers, and high potential market opportunities exist, especially in the dairy industry, animal genetics, planting seeds, food ingredients, and processing industry, as well as distribution.
- If U.S. exporters overcome the price challenge against European exporters, they may increase market share.

Resources

- U.S. Wheat Associations: www.uswheat.org
- \$A Office Algiers: +213-770-08-2112; [agaliers@\\$a.gov](mailto:agaliers@$a.gov)

Chapter 5: Trade Regulations and Standards

- Import Tariffs
- Trade Barriers
- Import Requirements and Documentation
- U.S. Export Controls
- Temporary Entry
- Labeling and Marking Requirements
- Prohibited and Restricted Imports
- Customs Regulations and Contact Information

- Standards
- Trade Agreements
- Web Resources

Import Tariffs

Specific information on import tariff rates can be found (in French) at:
<http://www.douane.gov.dz/cnis/tarif/sections.asp>.

Trade Barriers

Algeria applies a value-added tax (VAT) to all sales in the country. The VAT rates are 7 percent and 17 percent, depending on the product. Staples such as bread or milk are not subject to VAT. The reduced rate of 7 percent is applied to most non-luxury goods.

Getting goods cleared through Algerian customs represents the single most frequently reported problem facing foreign companies operating in Algeria. Delays can take weeks or months, and bribes are occasionally demanded to expedite goods transfers.

Import Requirements and Documentation

Firearms, explosives, narcotics, around 400 pharmaceutical products (see below), some categories of simple medical equipment, and used equipment are banned entry into Algeria. Pork products are prohibited for religious reasons.

In 2009, over 400 medications were banned entry into Algeria – contact Commerce Department Algeria Desk Office Nathaniel Mason at Nathaniel.mason@mail.doc.gov for the full list. In addition, a vaguely worded Algerian Government rule has effectively banned all imported used equipment, although anecdotal evidence suggests some used equipment is still making its way into Algeria.

The government insists that imports meet specific testing, labeling, or certification requirements. The Ministry of Health requires distributors to obtain authorizations to sell imported drugs. Drugs must have been marketed in their country of origin, as well as in a third country, before they may be imported.

When food products arrive in Algeria they must have at least 80 percent of their shelf life remaining. While specific regulations exist for a few products, in general all products must be in conformity with the standards defined in the Codex Alimentarius.

U.S. Export Controls

Please visit <http://www.export.gov/exportcontrols.html> for information about products that are subject to U.S. export controls.

Products and technologies frequently used in industrial processes may be subject to export controls, including pre- and post-license checks by the Department of Commerce.

Temporary Entry

Equipment and machinery brought into Algeria temporarily for the purpose of a specific project or exhibition are exempt from payment of customs duties and taxes. This exemption and approval, however, is limited to the originally specified event or purpose. Foreign companies are strongly advised to secure written approval from Algerian customs authorities before moving equipment to a new location inside Algeria. To obtain waivers, importers must fill out a customs form and present it to the authorities when the goods are re-exported. In January 1998, Algeria ratified the Istanbul Convention related to temporary entry through presidential decree No 98-03.

Labeling and Marking Requirements

Algerian Government regulations stipulate that imported products, particularly consumer goods, must be labeled in Arabic. This regulation is strictly enforced. Though not required, it is also helpful to label products in French.

Other Prohibited and Restricted Imports

- Phytosanitary and sanitary control regulations are in place. As a rule, animal and plant products that risk propagating diseases to persons or animals cannot be imported. In these matters, Algeria adheres, like the E.U., to the principle of “precaution.” Prospective importers may, however, be given waivers by Algeria’s national veterinary and plant protection services, depending on the situation in the country of intended origin.
- Meat of U.S. origin is prohibited because of allegedly high hormone content.
- Certain imports are subject to prior authorization by some ministries. For example, the Ministry of Health must clear medical products, the Ministry of Defense and National Security Directorate must clear hunting weapons, and the Ministry of Information must clear books and magazines.
- In December 2000, the Ministry of Agriculture enacted a decree prohibiting the importation, distribution, or sale of seeds that are genetically modified organisms.
- In 2005, the Algerian Government placed a ban on the importation of vehicles over three years old.

Customs Contact Information

Information on Algerian customs requirements can be found (in French) at <http://www.douane.gov.dz/>. If a U.S. firm encounters a problem involving Algerian Customs, they may fax a letter in French to the Direction Chargee de la Cooperation et des Relations Internationales describing the situation in detail. This letter may be faxed to +213-21-72-59-75. The phone number is +213-21-72-2088.

Standards

- Overview
- Standards Organizations
- Conformity Assessment
- Product Certification
- Accreditation
- Publication of Technical Regulations
- Labeling and Marking
- Standards Contact Information

Overview

Executive Decree no. 98-69 established the Algerian Institute for Normalization (IANOR) as the appropriate government body handling standardization issues. IANOR has since worked toward the goal of assisting Algeria's economic sector to cope with globalization and international standards.

Standards Organizations

The Agence algérienne de l'accreditation (ALGERAC) falls under the authority of the Ministry of Industry. ALGERAC is the only Algerian accreditation organism. It ensures that the national regulations concerning accreditation of the laboratories and the organization of certification inspections meet international norms.

IANOR is in charge of elaborating, publishing, and distributing all relevant data on Algerian norms. It is also responsible for providing conformity certifications to Algerian norms, issuing quality labels, and delivering appropriate authorizations to use brands according to the applicable regulations.

The Algerian National Institute of Industrial Property (INAPI) is responsible for industrial and intellectual property rights protections. This entity handles mainly the deposit and registration of patents, trademarks, and copyrights.

Conformity Assessment

Multiple authorities regulate the conformity of imported products.

For cosmetic and hygiene related products, a "compulsory declaration" is required. The formula must be submitted to a poison center, which will in turn seal the formula. Should the production be completed abroad, the exact details of the relevant poison center handling the tests must be forwarded to the appropriate Algerian authorities.

For other imported products, the following documents should be presented to the customs service upon entry: customs documents, banking documentation (invoice, banking domiciliation), the specific authorization from police services (if required), and the health

and safety authorization for selected products (if required). Customs will either provide an admission certificate or a non-admission certificate.

Product Certification

IANOR establishes and publishes norms applicable in Algeria, and if a norm does not exist or if a disagreement must be settled, then the ISO norm will prevail.

Accreditation

ALGERAC is the only Algerian accreditation organism. It ensures that the national regulations concerning accreditation of the laboratories and the organization of certification inspections meet international norms.

Publication of Technical Regulations

Technical regulations are all published in editions of the Official Gazette of the Republic of Algeria (Journal Officiel). These regulations are available online in French at <http://www.joradp.dz/HFR/Index.htm>.

Labeling and Marking

Algerian Government regulations stipulate that imported products, particularly consumer goods, must be labeled in Arabic. This regulation is strictly enforced. Though not required, it is helpful to also label products in French.

Standards Contact Information

ALGERAC (Agence Algérienne de l'Accréditation)

Tel: +213 017 03 33 25

E-mail: boudalgerac@hotmail.com

IANOR : Algerian Institute of Normalization

www.ianor.org

5 et 7 rue Abou Hammou Moussa

BP 104 RP Alger Algérie

Tel: +213 21 63 05 89

E-mail: cinfo@ianor.org

INAPI (Algerian National Institute of the Industrial Property)

www.inapi.org

42 Rue Larbi Ben M'Hidi

Tel: + 213 21 73 57 74

Trade Agreements

Algeria has ratified a number of bilateral trade agreements with other countries though there are currently no bilateral trade agreements between the U.S. and Algeria. In 2001, the two countries signed a Trade and Investment Framework Agreement (TIFA) that created a platform for discussions on trade provisions. Algeria ratified an EU association agreement in September 2005 and began active membership in the Arab Free Trade Zone in 2009. The Algerian Government says it is working towards accession into the WTO, but real progress has proceeded at a glacial pace over the years and the country actually went backwards in 2009 in terms of opening up its market to trade and investment.

Web Resources

- Specific Algerian import tariff rates (in French):
<http://www.douane.gov.dz/cnis/tarif/sections.asp>.
- Products subject to U.S. export controls: <http://www.export.gov/exportcontrols.html>
- Algerian customs requirements (in French): <http://www.douane.gov.dz/>.
- The Official Gazette of the Republic of Algeria (Journal Officiel)
<http://www.joradp.dz/HFR/Index.htm>.
- Department of State's Bureau of Economic and Business Affairs:
<http://www.state.gov/e/eb/tpp/>.
- Efforts towards Algeria's WTO accession:
http://www.wto.org/english/thewto_e/acc_e/acc_e.htm.

Chapter 6: 2010 Investment Climate Statement – Algeria

Overview

Algeria, with its population of 36 million, its energy wealth, and growing demand for modern infrastructure and consumer products, has begun attracting interest from companies around the world. Despite the international financial crisis, U.S. firms continue to consider Algeria as an emerging export market that is expected to grow in 2010. However, the climate for U.S. firms considering direct investments in Algeria has worsened, particularly in the wake of a series of restrictive foreign investment rules enacted in 2009. Algeria's failures to join the WTO or to modernize its banking sector are other factors that have prevented significant foreign investment outside the energy sector.

These new investment measures, along with statements by senior leaders critical of foreign investors, reinforce the impression of a government turn in the direction of economic nationalism. This trend began in 2006 with amendments to the hydrocarbons laws that backtracked from market liberalization and required the national oil company, Sonatrach, to be a majority partner in all oil and gas projects, and imposed a windfall profits tax on oil production. President Abdelaziz Bouteflika sharply criticized the government's approach to foreign investment and privatization in July 2008, noting the policies had not achieved growth for Algeria's economy. Prime Minister Ouyahia shortly thereafter ordered a review of government policy. This review led to new, more stringent foreign investment regulations codified in the 2009 Complementary Finance Law, decreed by the government in July and subsequently ratified by parliament.

Financial sector reform is incremental at best, and the world financial crisis resulted in the indefinite suspension of the privatization of the state-owned bank Crédit Populaire d'Algérie (CPA). Privatization in general has stalled across all sectors, although one American company successfully purchased the majority share of an industrial plant in early 2008. The government has supported state-owned companies experiencing financial difficulties by cancelling their debts and providing investment credits and technical assistance. Despite the less open investment climate, Algerian officials, often state their desire to see U.S.-based companies consider projects in Algeria.

Openness to Foreign Investment

Algerian officials are quick to seek technology and know-how transfer. However, they have been pursuing efforts to secure greater returns for Algerian interests since the 2006 amendments to the hydrocarbons law, which required majority state partnership in all oil and gas projects and imposed a heavy windfall profits tax on oil profits when prices are above \$30 per barrel.

In July 2008, President Bouteflika publicly expressed anger over alleged massive profits reaped from foreign investments in Algeria and repatriated abroad. Since that speech, the tax law has been amended to require that investors re-invest within four years the

equivalent value of any tax benefits they obtain as incentives to locate in Algeria. In addition, the major local cell phone provider in Algeria, a subsidiary of the Egyptian firm Orascom, was levied a \$600-million tax readjustment in November. U.S. investment outside of the oil and gas sector is currently limited to a pharmaceutical factory, a desalination plant, a bottling plant, and a cable-making factory.

Three agencies have mandates to encourage and manage investment in Algeria. The National Agency for Investment Development (ANDI) (www.andi.dz) is responsible for facilitating investments and granting tax exemptions; the National Investment Council (CNI) was created to define investment strategies and priorities as well as to approve special investment incentives by sector; and the Ministry for Industry and Investment Promotion (www.mipi.dz) maintains one office for investment policy and another for the promotion of privatization. The privatization process in Algeria has all but stopped, however, due in part to a lack of interest by foreign firms and the lack of a stable regulatory environment.

In July 2009, the government adopted a budget amendment (the Complementary Finance Law of 2009) which enacted restrictions on imports and foreign investment. These measures require 51-percent Algerian ownership of new foreign investment, 30-percent Algerian ownership of foreign import companies, and use of letters of credit for the payment of import bills. Additionally, a new Central Bank regulation stipulates that all invoices must state a due date for payment. Invoices without a due date or that exceed 360 days cannot be paid.

Conversion and Transfer Policies

The Algerian dinar is considered fully convertible for all commercial transactions. The Bank of Algeria (Banque d'Algérie, the nation's central bank) manages Algeria's foreign reserves, controls foreign exchange, and delegates most of these controls to the banks themselves. Legally registered economic operators can access foreign currency to make payments, subject to bank domiciliation, without any pre-authorization. Operators must possess a clean audit report and a certificate from the tax authority in order to repatriate funds.

Foreign investors can repatriate dividends, profits, and real net income out of their assets through transfers or liquidation. In certain cases, due to the inefficiency of the banking system and the heavy bureaucracy, it may take longer to obtain official permission from the central bank to make transfers/payments, or for the local bank to proceed with the transfer. However, U.S. suppliers benefit from generally faster and more predictable payments as a result of the mandatory letter of credit requirement. In addition, payment delays may result due to the new regulation that limits Algerian importers' payment options to letters of credit. Direct wire payments are no longer authorized.

Expropriation and Compensation

The government of Algeria has not engaged in expropriation actions against foreign firms

Dispute Settlement

Algeria is a signatory to the convention on the Paris-based International Center for the Settlement of Investment Disputes (<http://www.worldbank.org/icsid>). Algeria ratified its accession (<http://arbiter.wipo.int/arbitration>) to the New York Convention on arbitration and is a member of the Multilateral Investment Guarantee Agency (<http://www.miga.org>). The code of civil procedure allows both private and public sector companies full recourse to international arbitration. Algeria permits the inclusion of international arbitration clauses in contracts.

An American oil company this year exercised the dispute settlement mechanism in its contracts with the state oil company to contest the implementation of a windfall profits tax imposed long after the company began doing business in Algeria. Negotiations prior to conciliation and binding arbitration were very slow. The entire dispute resolution process, including arbitration, will likely take 18 to 24 months.

Performance Requirements and Incentives

Algeria does not impose general performance requirements on foreign investments. However, the national energy company, Sonatrach, must be a majority shareholder in any hydrocarbon sector venture. In accordance with the 2009 Complementary Finance Law, foreign investments in any sector now require a 51-percent Algerian partnership.

The investment code provides a number of incentives for investment in Algeria, which are primarily related to VAT and other tax exemptions, for periods of time that are dependent on the type of investment and the nature of the package agreed between the investor and the National Agency for Investment Development (ANDI). The 2009 Complementary Finance Law requires foreign investors to reinvest in Algeria the equivalent of any tax benefits bestowed upon them, in a manner similar to the offsets investment requirement commonly seen in Gulf countries.

Right to Private Ownership and Establishment

Foreign entities have largely equal rights to establish and own business enterprises in Algeria and engage in most forms of remunerative activity, within the framework of the requirements for majority Sonatrach participation in hydrocarbon ventures and the new requirement for majority Algerian participation in all new foreign investment. Private enterprises have equal status with public enterprises and compete on an equal basis with respect to access to markets, credit, and business operations.

Protection of Property Rights

Secured interests in property are generally recognized and enforceable, but court proceedings can be lengthy and results unpredictable. Most real property in Algeria

remains in government hands, and controversy over the years has resulted in conflicting claims for real estate titles, which has made purchasing and financing real estate difficult. One prospective U.S. investor seeking to build a factory in Algeria tried in vain for two years to obtain approvals from a local governor to purchase suitable land for the project.

While there is legislation protecting copyright and related rights, trademarks, patents, and integrated circuits, implementation has been inconsistent, and enforcement remains spotty. The Office of the U.S. Trade Representative placed Algeria on the Priority Watch list in 2009 for ineffective protection of pharmaceutical tests and data.

Transparency of Regulatory System

Generally, Algeria's regulatory system is transparent, but decision-making authority remains opaque. Each ministry defines its rules for doing business in the sectors it manages, and regulatory bodies are established to administer them. Challenges arise in managing the bureaucracy, because authority is generally vested at the top of every organization, and access to decision-makers is often limited. Furthermore, the Algerian bureaucracy is slow and protocol-oriented, such that even minor deficiencies in paperwork can lead to significant delays, frustration, and fines. In some cases, authority over a matter may rest among multiple ministries, which imposes additional bureaucratic steps and the likelihood of inaction due to errors or unusual circumstances.

Efficient Capital Markets & Portfolio Investment

After ten years, the Algerian stock exchange remains nascent, with only three companies listed. Long-term treasury bonds were listed on the stock market in 2008, but trading has sharply declined due to the increased number of fees required to trade the bonds. Shorter yield bonds continue to be managed through bond dealers. Other private bond investment vehicles are occasionally offered to the public for major construction or other ventures with rates of return reaching 6.5 percent.

The bond market plays a marginal role in the financing of the Algerian economy, which is mainly done through public expenditure or traditional banking credits. Most bonds are issued by public companies; however, a small number of private firms have issued bonds to finance investment in public works projects. In order to finance development projects and absorb excess liquidity, some state-owned companies have launched corporate bonds. Public companies, such as the national oil company, Sonatrach, often choose to finance through a bank investment pool, which is guaranteed by the government.

Corporate Social Responsibility

Corporate social responsibility practices are uncommon in Algeria. The state-run oil and gas company, Sonatrach, funds some social services for its employees and desert communities near production sites. Some multinational companies conduct similar social investment activities. Most companies, however, view social programs as areas of government responsibility and do not consider such activities in their corporate decision-

making process. Many Algerians view corporate responsibility as a marketing tool used by companies to improve their image and increase their profits.

Political Violence

Political violence has declined since the widespread terrorism of the 1990s. The government's effort to reduce terrorism through military pressure and social reconciliation and reintegration has been markedly effective. However, incidents of terrorism, including suicide bombings against government and international organization installations, occurred in 2006 and 2007, and armed attacks against army and police continue sporadically to this day. In 2007, a group of Algerian terrorists known as the Salafist Group for Preaching and Combat (French acronym GSPC) formally affiliated itself with al-Qa'ida and assumed the name al-Qa'ida in the Islamic Maghreb (AQIM).

The U.S. Government considers the potential threat to U.S. Embassy personnel assigned to Algiers sufficiently serious to require them to live and work under significant security restrictions. These practices limit, and may occasionally prevent, the movement of U.S. Embassy officials and the provision of consular services in certain areas of the country. The Algerian Government requires U.S. Embassy personnel to seek permission to travel to the Casbah within Algiers or outside the province of Algiers and to have a security escort. Travel to the military zone established around the Hassi Messaoud oil center requires Government of Algeria authorization. Daily movement of Embassy personnel in Algiers is limited, and prudent security practices are required at all times. Travel by Embassy personnel within the city requires prior coordination with the Embassy's Regional Security Office. American visitors are encouraged to contact the Embassy's Consular Section for the most recent safety and security information concerning travel to the city of Algiers.

Americans living or traveling in Algeria are encouraged to register with the U.S. Embassy in Algiers through the State Department's travel registration website, <https://travelregistration.state.gov>, and to obtain updated information on travel and security within Algeria. Americans without internet access may register directly with the U.S. Embassy Algiers. By registering, American citizens make it easier for the Embassy to contact them in case of emergency.

Corruption

There were a number of arrests in 2009 of high-ranking Algerian Government officials in a variety of ministries and state-owned enterprises. Foreign companies do not complain of requests for bribes or lost contracts due to failure to pay bribes. However, customs officials have been known to demand bribes to expedite goods lingering in Algerian ports awaiting customs clearance. Many Algerian citizens believe that corruption is a problem within the upper reaches of government. Some evidence suggests that bribes are usually paid to bypass Algerian bureaucracy or to avoid government interference.

The government investigated several high-profile corruption scandals in 2009 and early 2010. One investigation implicated officials at the Ministry of Transportation on charges of fraud related to the construction of the East-West highway. Another involved senior officials of the state oil company, Sonatrach, investigated for corruption in procurement. Lower-level investigations involved customs officials and private sector executives charged with embezzlement, illegal currency transfers, and misuse of public funds.

In 2006, the Algerian Government adopted an anti-corruption bill that reinforced existing legislation and brought Algeria into compliance with the UN Convention against Corruption, which Algeria ratified on August 25, 2004. The law was designed to promote transparency in government and public procurement, introduce new crimes such as illicit enrichment and reinforce existing penal sanctions.

Algeria is not a financial center, and financial transactions are tightly regulated. However, it is estimated that half of the country's economic transactions are done within the informal sector, effectively escaping the purview of state auditors. In 2005, the government adopted anti-money laundering legislation and established a financial intelligence unit to monitor suspicious financial transactions and refer violations of the law to prosecutorial magistrates.

Bilateral Investment Agreements

The United States and Algeria signed a Trade and Investment Framework agreement (TIFA) in 2001 to create a forum for involved discussion. TIFA council meetings were held in 2001 and 2004.

Algeria executed a European Union association agreement in 2005. The agreement provides for the gradual removal of import duties on EU industrial products over 12 years, and removed duties immediately on 2,000 other products. However, the EU has complained that some provisions in the 2009 Complementary Finance Law violate that agreement.

Algeria signed bilateral investment agreements for the protection and promotion of investments with the following countries in the indicated years: Belgium/Luxembourg (1991), Italy (1991), France (1993), Romania (1994), Spain (1994), China (1996), Germany (1996), Jordan (1996), Mali (1996), Vietnam (1996), Egypt (1997), Bulgaria (1998), Mozambique (1998), Niger (1998), Turkey (1998), Denmark (1999), Yemen (1999), Czech Republic (2000), Greece (2000), and Malaysia (2000). There is no bilateral investment treaty between Algeria and the United States.

Algeria has also signed bilateral treaties to prevent double taxation with the following nations: United Kingdom (1981), France (1982), Tunisia (1985), Libyan Arab Jamahirya (1988), Morocco (1990), Belgium (1991), Italy (1991), Romania (1994), Turkey (1994), Syrian Arab Republic (1997), Bulgaria (1998), Canada (1999), Mali (1999), Vietnam (1999), Bahrain (2000), Oman (2000), Poland (2000), Ethiopia (2002), Lebanon (2002),

Spain (2002), and Yemen (2002). There is no double taxation treaty between Algeria and the United States.

In 1990, Algeria signed both investment protection and double taxation agreements with the Arab Maghreb Union (AMU) countries (Libya, Morocco, Mauritania, and Tunisia).

OPIC & Other Investment Insurance Programs

The U.S. Overseas Private Investment Corporation (OPIC) (<http://www.opic.gov>), the U.S. Export-Import Bank (Ex-Im)(<http://www.exim.gov>), and the U.S. Trade and Development Agency (USTDA) (<http://www.ustda.gov>) support projects in Algeria. However, the Algerian Government announced in 2009 that all financing for future foreign investments in the country must be financed through Algerian banks.

A \$250-million water desalination project in Algiers was completed in 2008 with OPIC support, and Ex-Im supported the U.S. content of a power project in Skikda in 2003.

Labor

Algeria's labor force consists of roughly 10 million (10,315,000 in December 2008) people out of a total population of 36 million. According to the National Office of Statistics, over 70 percent of the population is under age 30. Beginning January 1, the monthly minimum wage increased to DA 15,000 (\$215) from DA 12,000 (\$170). The official unemployment rate is approximately 13 percent (11.3 percent in December 2008), but international organizations believe it is as high as 25 percent.

Algeria's labor code sets minimum work standards, including a minimum work age of 16, a 40-hour workweek, and higher rates for overtime pay. Employers pay 26 percent of gross salaries in social security taxes, including provisions for both retirement and health/accident insurance.

U.S. companies are able to hire trained technical staff. However, recruiting and retention has become more difficult, as well-educated and trained Algerians are increasingly lured by higher salaries offered in the Gulf region. English speakers remain difficult to find. Arabic is Algeria's official language, and French is the most common language of business.

There are no restrictions on the number of expatriate supervisory personnel a company may establish. Entry visas for foreign workers must be requested through the Ministry of Employment and Social Solidarity (<http://www.massn.gov.dz>). Foreign workers must then obtain work permits from the Ministry of Labor (<http://www.mtss.gov.dz>) and a residency card from the local police office in the district where they will be working. The employer is responsible for submitting all tax payments for individual workers to the proper local tax collection authorities.

Algerian regulations allow foreigners to repatriate 50 percent of their salaries.

Foreign-Trade Zones/Free Trade Zones

There are currently no free trade zones in Algeria.

Foreign Direct Investment Statistics

The Governor of the Bank of Algeria, Mohamed Laksaci, stated that foreign direct investment was \$700 million during the first half of 2009, compared to \$1 billion for the same period in 2008. Total foreign direct investment in 2008 was \$2.34 billion.

Web Resources

Algerian Government:

Algerian Embassy in Washington, D.C.:

<http://www.algeria-us.org/>

Bank of Algeria (central bank):

<http://www.bank-of-algeria.dz/>

Ministry of Employment and Social Solidarity:

<http://www.massn.gov.dz/>

Ministry of Energy and Mines: <http://www.mem-algeria.org/>

Ministry of Finance: <http://finances-algeria.org/>

Ministry of Labor and Social Security:

<http://www.mtss.gov.dz/>

Ministry of Industry and Investment Promotion:

<http://www.mipi.dz/>

National Investment Development Agency: <http://www.andi.dz/>

Sonatrach: <http://www.sonatrach-dz.com/>

United States Government:

U.S. Department of State travel information:

<http://travel.state.gov/>

U.S. Embassy in Algiers: <http://algiers.usembassy.gov/>

U.S. Department of Commerce: <http://www.export.gov/>

Export Import Bank: <http://www.exim.gov/>

Overseas Private Investment Corporation (OPIC):

<http://www.opic.gov/>

U.S. Trade and Development Agency: <http://www.ustda.gov/>

Non-Governmental:

Business Software Alliance (BSA): <http://www.bsa.org/>

U.S.-Algeria Business Council: <http://www.us-algeria.org/>

International:

E.U. Association Agreement:

http://europa.eu.int/comm/external_relations/euromed/med_ass_agreemnts.htm

European Free Trade Association (EFTA):

<http://www.efta.int/>

International Monetary Fund (IMF): <http://www.imf.org/>

Multilateral Investment Guarantee Agency:

<http://www.miga.org/>

World Bank: <http://www.worldbank.org/>

Conventions:

New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards

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<http://arbitrator.wipo.int/arbitration/ny-convention/index.html>

Paris-based International Center for the Settlement of Investment Disputes: <http://www.worldbank.org/icsid/>

Chapter 7: Trade and Project Financing

- How Do I Get Paid (Methods of Payment)
- How Does the Banking System Operate
- Foreign-Exchange Controls
- U.S. Banks and Local Correspondent Banks
- Project Financing
- Web Resources

How Do I Get Paid (Methods of Payment)

U.S. firms get paid in Algeria, and the U.S. Embassy encounters relatively few payment problems or disputes between U.S. firms and Algerian companies or government bodies. Due to a 2009 Algerian Government measure, Algerian companies must pay foreign suppliers only by letter of credit. While this has created significant headaches for Algerian importers, the measure overall will likely benefit U.S. exporters and suppliers by expediting and guaranteeing payments by Algerian firms.

U.S. business people should note that Algeria is largely a cash economy, and the use of credit cards is extremely limited. Most common payment terms are used in Algeria, with the exception of payment in advance. Payments for goods are subject to producing an invoice with a bank domiciliation and customs clearance documents.

How Does the Banking System Operate

Six state-owned banks still dominate 95 percent of the commercial market, but Citibank, HSBC, and a number of French banks exist in Algeria as well. Western Union services (international money transfers) are also available.

The Khalifa Bank collapse in 2003 shook government confidence in the private banking sector, in spite of the flaws in state-owned banks. As a result, banking reform has progressed incrementally at best. Following the global financial crisis, the privatization of the flagship state-owned bank Crédit Populaire d'Algérie (CPA) was put on hold indefinitely.

Barriers on outward transfers and an antiquated domestic transfer system pose challenges for investment. Though the central bank is working on creating a system that would permit payments by check and credit cards, this system is still very new, and not many vendors have fully embraced it. Neither checks nor credit cards are common. ATMs are installed at some locations including five star hotels. Algeria remains a cash-based society.

Foreign-Exchange Controls

U.S. firms – whether investors or exporters – do not experience problems getting paid in hard currency.

However, the government tightly controls foreign exchange for Algerian firms. An Algerian company (outside of the hydrocarbons sector) may only receive up to 50 percent of its export earnings in U.S. dollars; it must receive the rest in local currency. Algerian companies in the hydrocarbons sector must receive 100 percent of export revenue in local currency (dinars). With few exceptions, the Algerian Government prohibits Algerians from holding financial assets abroad. It does make foreign exchange available to Algerians for the importation of goods provided they have the dinar equivalent of the hard currency cost of the imports. The Algerian dinar is convertible for current accounts for businesses.

U.S. Banks and Local Correspondent Banks

Citigroup, N.A. (Citibank)
07 Avenue Larbi Allik
Hydra, Alger 16035
+213 (21) 54 78 21

Public banks maintain correspondent banking relationships with several U.S. banks.

Relationships with Banque Extérieure d'Algérie
Bank of New York
BankAmerica International

Bankers Trust
Chase Manhattan Bank
Chemical Bank
Citibank
First Chicago

Relationships with Crédit Populaire d'Algérie
Citibank
Arab American Bank
Chemical Bank
Mellon Bank

Relationships with Banque Nationale d'Algérie
American Express Bank
Bank of America
Bank of New York
Bankers Trust
Chase Manhattan Bank
Citibank
CoBank Denver
First-Interstate Bank of California
Mellon Bank
Pittsburgh National Bank
United Bank for Africa

Relationships with Banque de Development Local
Citibank
Crédit Lyonnais NY
Rabo Bank
United Bank for Africa

Project Financing

Project financing has significantly slowed in Algeria in recent years and, for the most part, major infrastructure, civil engineering, and construction projects are fully funded by the government. The World Bank has no new projects planned, but the International Finance Corporation (IFC) continues to provide project financing in Algeria (www.ifc.org).

Other Development Institutions:

The Overseas Private Investment Corporation (OPIC) is a source of project finance guarantees in Algeria (www.opic.gov).

Web Resources

- Export-Import Bank of the United States: <http://www.exim.gov>
- Country Limitation Schedule: http://www.exim.gov/tools/country/country_limits.html
- International Finance Corporation: www.ifc.org
- OPIC: <http://www.opic.gov>
- Trade and Development Agency: <http://www.tda.gov/>
- Small Business Administration Office of International Trade: <http://www.sba.gov/oit/>
- \$A Commodity Credit Corporation: <http://www.fsa.usa.gov/cc/default.htm>
- World Bank: www.worldbank.org/dz

Chapter 8: Business Travel

- Business Customs
- Travel Advisory
- Visa Requirements
- Telecommunications
- Transportation
- Language
- Health
- Local Time, Business Hours and Holidays
- Temporary Entry of Materials and Personal Belongings
- Web Resources

Business Customs

Algeria has a unique business culture that results from many factors, including the country's location at the crossroads of Africa and the Mediterranean basin, its ethnic diversity of Arabs and Berbers, a 130-year history of French colonization, a guerrilla war for independence, its championship of Third World causes; and a decade-long struggle with terrorism.

Algerians attach great importance to titles and hierarchy. Requests, invitations, and proposals should be addressed to the head of an organization. Personal contact is essential, and heads of Algerian organizations expect meetings with counterparts. Faxed letters in French on letterhead are more likely to elicit a response from Algerians than email communication.

Travel Advisory

Please see the Department of State's Travel Advisory Web site at http://travel.state.gov/travel/warnings_consular.html for the latest information.

Visa Requirements

U.S. citizens need a visa to enter Algeria. Travelers should clearly stipulate the intended date of entry and planned duration of stay on their applications. A letter of invitation from an Algerian business or government agency is usually required.

Please visit the Web site of the Embassy of Algeria in Washington, DC, at <http://www.algeria-us.org/>. Visa information is available under the heading "Consular Section." Approval of visas and the return of passports may take several weeks.

Telecommunications

Algeria's telecommunications are mostly modern, but outdated infrastructure and bureaucracy makes negotiating for service difficult. GSM technology has made mobile phones commonplace. Most hotels and private businesses have high-speed Internet, but the government largely does not.

Transportation

A number of international airlines serve Algeria. There are no direct flights between Algeria and the U.S., though a direct Algiers – New York City flight is under consideration. Air Algérie and Tassili Airlines provide domestic service.

There is railway passenger service between the major northern cities and bus services to many of the smaller cities and towns.

Good paved roads cover the northern region and connect some oases, but congestion and security checkpoints impede overland travel. Rental cars are available but expensive. Parking is also an issue in urban areas, and many companies hire a car and driver for daily meetings of executives.

Language

Arabic is the official language of Algeria. French is widely spoken in business and government circles, but English is rare. Good interpreters are in high demand and are expensive, so plan ahead to secure interpretation for business meetings. Contact Faiza.gamoura@mail.doc.gov for suggestions on local translators.

Health

No vaccinations are required for entry. Typhoid, tetanus, polio, cholera, and preventive rabies inoculations are strongly recommended. Tap water is considered potable in

Algiers, but we recommend drinking bottled water. For additional information see the World Health Organization website at: <http://www.who.int/countries/dza/en/>.

Local Time, Business Hours, and Holidays

The workweek in Algeria is Sunday to Thursday, 09:00 a.m. to 05:00 p.m.

Algeria is in the GMT +1 time zone, six hours ahead of Eastern Standard Time and in the same time zone as Central European Time. Algeria does not observe daylight savings during the summer, at which point it is one hour behind Central European Time and five hours ahead of Eastern Daylight Time.

The following is a list of Algerian holidays in 2010 as well as dates on which the U.S. Embassy in Algiers will be closed in observance of U.S. holidays:

New Year's Day	January 1
Martin Luther King Day	January 18
Presidents Day	February 15
Mawlid Ennabbaoui *	February 28
Labor Day (Algerian)	May 1
Memorial Day	May 30
U.S. Independence Day	July 4
Algerian Independence Day	July 5
Columbus Day	October 10
Eid El Fitr *	September 20/21
Revolutionary Day	November 1
Veterans Day	November 11
Eid El Adha *	November 16/17
Thanksgiving	November 25
Awal Moharem *	December 8
Achoura *	December 17
Christmas	December 26

(*) Precise date subject to lunar sighting/government declaration

Temporary Entry of Materials and Personal Belongings

Algerian customs authorities encourage the use of an ATA (Admission Temporaire/Temporary Admission) Carnet for the temporary admission of professional equipment, commercial samples, and/or goods for exhibitions and fair purposes. ATA Carnet Headquarters, located at the U.S. Council for International Business, 1212 Avenue of the Americas, New York, NY 10036, issues and guarantees the ATA Carnet in the United States. For additional information call (212) 354-4480, send an e-mail to atacarnet@uscib.org, or visit uscib.org for details.

Web Resources

- Embassy of Algeria in Washington, D.C.: <http://www.algeria-us.org/>.
- State Department Visa : <http://travel.state.gov/visa/index.html>
- United States Visas.gov: <http://www.unitedstatesvisas.gov/>
- U.S. Center for International Business: www.uscib.org
- U.S. Embassy Algiers: <http://algiers.usembassy.gov/>
- World Health Organization: <http://www.who.int/countries/dza/en/>

Chapter 9: Contacts, Market Research, and Trade Events

- Contacts
- Market Research
- Trade Events

Contacts

- U.S. Embassy Foreign Commercial Service <http://buyusa.gov/algeria>
- American Chamber of Commerce Algeria
<http://www.amcham-algeria.org/>
- U.S. – Algeria Business Council
<http://www.us-algeria.org/>

Market Research

To view market research reports produced by the U.S. Commercial Service, please go to <http://www.export.gov/marketresearch.html> and click on Country and Industry Market Reports. Please note that these reports are only available to U.S. citizens and U.S. companies. Registration to the site is required, but free of charge.

Additional investment guides for Algeria have been produced by several Embassies and Organizations. Some of these include the French Embassy, the Canadian Embassy, the Oxford Group and KPMG.

See also the American Chamber of Commerce: <http://www.amcham-algeria.org> .

Trade Events

The USA Pavilion at the Algiers International Trade Fair provides a venue to showcase your commitment to the Algerian market. This year's event will take place June 2-7, 2010. The Trade Fair hosts over 600,000 visitors and offers U.S. firms an opportunity to gain exposure to high-ranking government officials, media, potential partners, and decision makers in order to better position their companies in the Algerian market. Please call the U.S. Algeria Business Council for details at: (703) 418-4150.

The U.S. – Algeria Business Council

For information on events, please see: www.us-algeria.org

The American Chamber of Commerce Algeria

For information on events, please see: <http://www.amcham-algeria.org>

The World Trade Center Group

For information on events, please see: www.wtcalgeria.com

SAFEX – Algerian Society for Fairs and Exports

For information on events, please see: www.safex.com.dz

U.S. Department of Commerce

For more trade events, please visit: <http://www.export.gov/tradeevents.html>

Chapter 10: Guide to Our Services

The U.S. Commercial Service offers customized solutions to help your business enter and succeed in markets worldwide. Our global network of trade specialists will work one-on-one with you through every step of the exporting process, helping you to:

- Target the best markets with our world-class research
- Promote your products and services to qualified buyers
- Meet the best distributors and agents for your products and services
- Overcome potential challenges or trade barriers

For more information on the services the U.S. Commercial Service offers U.S. businesses, please click on the link below.

<http://www.buyusa.gov/algeria/en/>

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U.S. exporters seeking general export information/assistance or country-specific commercial information should consult with their nearest Export Assistance Center or the U.S. Department of Commerce's Trade Information Center at (800) USA-TRADE, or go to the following website: <http://www.export.gov>

To the best of our knowledge, the information contained in this report is accurate as of the date published. However, The Department of Commerce does not take responsibility for actions readers may take based on the information contained herein. Readers should always conduct their own due diligence before entering into business ventures or other commercial arrangements. The Department of Commerce can assist companies in these endeavors.